

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	86.46	(2.25)	(2.50)	81.71	(2.25)	(2.50)	81.71	81.71
Personal Services	3,120,709	310,487	(97,619)	3,333,577	293,187	(97,564)	3,316,332	6,649,909
Operating Expenses	1,358,887	826,834	380,398	2,566,119	855,886	420,868	2,635,641	5,201,760
Equipment	17,329	32,671	0	50,000	(17,329)	0	0	50,000
Capital Outlay	0	32,400	0	32,400	32,400	0	32,400	64,800
Local Assistance	21,120	25,000	0	46,120	25,000	0	46,120	92,240
Transfers	58,800	(58,800)	0	0	(58,800)	0	0	0
Total Costs	\$4,576,845	\$1,168,592	\$282,779	\$6,028,216	\$1,130,344	\$323,304	\$6,030,493	\$12,058,709
General Fund	3,560,273	328,828	282,779	4,171,880	295,262	312,304	4,167,839	8,339,719
State/Other Special	872,219	161,483	0	1,033,702	160,358	11,000	1,043,577	2,077,279
Federal Special	7,237	775,090	0	782,327	775,095	0	782,332	1,564,659
Capital Projects	65,694	(65,694)	0	0	(65,694)	0	0	0
Proprietary	71,422	(31,115)	0	40,307	(34,677)	0	36,745	77,052
Total Funds	\$4,576,845	\$1,168,592	\$282,779	\$6,028,216	\$1,130,344	\$323,304	\$6,030,493	\$12,058,709

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- 1) accounting and financial reporting (Accounting and Management Support Program);
- 2) warrant writing and bad debt management and collection (Accounting and Management Support Program);
- 3) capitol complex building maintenance and security (General Services Program);
- 4) state bonded indebtedness administration (Accounting and Management Support Program);
- 5) state treasury services (Accounting and Management Support Programs);
- 6) insurance coverage and Tort Claims Act administration (Risk Management and Tort Defense Program);
- 7) information systems development, telecommunications, and data processing (Information Systems Division);
- 8) personnel management and labor relations (State Personnel Division);
- 9) purchasing and surplus property administration (Procurement and Printing Division); and
- 10) duplicating, mail, and messenger services (Procurement and Printing Division).

The department also administers the state Long Range Building Program, state employee group benefits program, and the various state retirement systems. In addition, the Board of Examiners, the State Tax Appeal Board, the Appellate Defender, the Public Employees' Retirement Board, and the Teachers' Retirement Board are attached to the department for administrative purposes only.

The main table above includes only a portion of the department's total funding. Several functions are funded with proprietary funds that do not require an appropriation. These proprietary functions are discussed in the proprietary program narratives.

Summary of Legislative Action

The programs of the Department of Administration are funded with monies appropriated in HB 2 and with non-appropriated proprietary funds. For those programs funded with non-appropriated proprietary funds, the legislature approved the rates and charges recommended by the department, except for the rental rate on state buildings and the data network rate charged by the Information Services Division for which the legislature approved lower rates than the department had suggested. The legislature approved rental rates of \$5.13 per square foot in fiscal 2000 and \$5.37 per square foot in fiscal 2001 and a data network rate of \$64.59 per connection per month. The rates and fees the legislature approved are designed to bring in sufficient funding to allow programs to meet their operating goals and maintain adequate reserve balances.

The legislature funded establishment of the MT PRRIME operations bureau, which is part of the Information Services

Division, with proprietary funds and with a direct appropriation in HB 2. The legislatively approved budget for the operations bureau consists of 26.0 FTE and \$6,373,675 for the biennium. Of this amount, \$971,184 is a direct general fund appropriation; the remaining amount of \$5,402,491 is allocated to agencies as a fixed cost.

The legislature specifically chose to continue funding the Vehicle Fueling and Natural Gas and Electricity programs with proprietary funds, rather than changing funding to state special revenue, as the executive had proposed. The programs are relatively new and have thus far been unable to meet the requirement that proprietary-funded programs recover their costs completely through rates and charges. The legislature recognized that the programs had not been able to cover all costs in the past, but chose to continue funding the programs with proprietary funds because the programs are considered likely to be able to cover all their costs in the near future. Moreover, the legislature noted that continuing proprietary funding for the programs would make it easier to determine if the programs are able to pay their own way in the long run or if it might be better to discontinue them.

The legislature added \$11,000 of state special revenue in the State Personnel Division to allow the division to receive funds from state agencies to pay some of the start-up costs of a daycare center for Helena-area state employees. The state special revenue will come from voluntary state agency donations. The daycare center will be run by a private concern and operating costs will be paid through fees charged to the parents using the services of the center.

The legislature funded several programs and activities directly through appropriations in HB 2, including portions of the Accounting and Management Support Program, the Architecture and Engineering Program, and the Procurement and Printing Division. The legislature also funded the State 911 program and the Geographic Information System (GIS) Cadastral Mapping project, both of which are administered by the Information Services Division. The legislature funded the General Services Program's maintenance of "common areas" in state buildings, such as legislative office space, the Governor's mansion, the public display areas in the Historical Society Museum, and some office space in the museum building.

Other Legislation

Senate Bill 184 - SB 184, which revised property tax law, also established two interim study committees to study government fund structure at the local level and at the district court level. The two committees will be attached to the Department of Administration for administrative purposes. The department received a biennial appropriation of \$55,000 general fund for committee expenses.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 1998	Executive Budget Fiscal 2000	Legislative Budget Fiscal 2000	Leg – Exec. Difference Fiscal 2000	Executive Budget Fiscal 2001	Legislative Budget Fiscal 2001	Leg – Exec. Difference Fiscal 2001	Biennium Difference Fiscal 00-01
FTE	86.46	83.71	81.71		83.71	81.71		
Personal Services	3,120,709	3,370,707	3,333,577	(37,130)	3,353,315	3,316,332	(36,983)	(74,113)
Operating Expenses	1,358,887	2,782,183	2,566,119	(216,064)	2,073,332	2,635,641	562,309	346,245
Equipment	17,329	50,000	50,000	0	0	0	0	0
Capital Outlay	0	32,400	32,400	0	32,400	32,400	0	0
Local Assistance	21,120	666,120	46,120	(620,000)	686,120	46,120	(640,000)	(1,260,000)
Transfers	58,800	0	0	0	0	0	0	0
Total Costs	\$4,576,845	\$6,901,410	\$6,028,216	(\$873,194)	\$6,145,167	\$6,030,493	(\$114,674)	(\$987,868)
General Fund	3,560,273	5,002,772	4,171,880	(830,892)	5,001,180	4,167,839	(833,341)	(1,664,233)
State/Other Special	872,219	1,076,004	1,033,702	(42,302)	1,074,910	1,043,577	(31,333)	(73,635)
Federal Special	7,237	782,327	782,327	0	32,332	782,332	750,000	750,000
Capital Projects	65,694	0	0	0	0	0	0	0
Proprietary	71,422	40,307	40,307	0	36,745	36,745	0	0
Total Funds	\$4,576,845	\$6,901,410	\$6,028,216	(\$873,194)	\$6,145,167	\$6,030,493	(\$114,674)	(\$987,868)

Executive Budget Comparison

The legislature lowered fixed costs in all programs to reflect reductions in the rental rate that the General Services Division will charge state agencies for office and warehouse space and in the data network rate that the Information Services Division will charge. The total amount of those reductions was \$38,464.

In the Accounting and Management Support Program, the legislature did not approve a new proposal for \$1.26 million that would have provided a guaranteed annual benefit adjustment for retired teachers. The executive had originally requested the appropriation in HB 2, but later withdrew the HB 2 request and obtained an appropriation through other legislation.

The legislature did not accept the executive new proposal to change the funding of the Vehicle Fueling and Natural Gas and Electricity programs from proprietary funding to state special revenue funding, which reduced the state special revenue portion of the budget by \$80,916.

The legislature provided an increase of \$78,316 general fund and \$750,000 federal funds in fiscal 2001 over the executive request for the GIS Cadastral Mapping project. The amount included in the executive budget that was submitted was in error and the legislature's action brought funding up to the level the executive had meant to request.

The legislature reduced the general fund portion of the Executive Budget request for the MT PRRIME operations bureau by \$163,184, which represents funding for 4.0 FTE. (The executive had requested funding for 30.0 FTE; the legislature approved funding for 26.0 FTE but also granted funding for contracted services.)

The legislature did not act on a new proposal for \$216,508 to pay moving expenses for state agencies that will relocate during renovation of the Capitol building. The executive withdrew the request shortly after submitting it in the budget, (funding was obtained elsewhere) but subsequently requested that the funds be used to continue the Public Safety Radio project. The legislature declined to fund the Public Safety Radio project.

The legislature added \$11,000 of state special revenue in the State Personnel Division to allow the division to receive funds from state agencies to pay some of the start-up costs of a daycare center for Helena-area state employees. The daycare center will be run by a private concern and operating costs will be paid through fees charged to the parents using the services of the center. The executive had originally requested that funds to support the daycare center be generated through the rental rate assessed to state agencies and proposed daycare center support of \$200,000. The legislature did not accept the executive proposal to support the daycare center through rental rates imposed on state agencies and accordingly accepted lower rental rates than the executive had proposed.

The legislature removed funding for 1.5 FTE that had been vacant for an extended period from the State Tax Appeal Board budget. The amount removed was \$50,202.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	0	0	0	0	0	50,000	50,000	50,000
Total Costs	\$0	\$0	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000
General Fund	0	0	0	0	0	50,000	50,000	50,000
Total Funds	\$0	\$0	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000

Program Description

The Governor Elect Program pays start-up costs for the incoming Governor, as required by 2-15-221, MCA.

Funding

Funding for the costs of the transition to a new gubernatorial administration will come from the general fund.

New Proposals							
Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds	
1 Governor Elect Appropriation	.00	0	0	.00	50,000	50,000	
Total New Proposals	.00	\$0	\$0	.00	\$50,000	\$50,000	

New Proposals

DP 1 - Governor Elect Appropriation - The legislature granted a restricted appropriation to fund a new proposal for \$50,000 in fiscal 2001 to pay the costs of the transition to a new Governor.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	22.92	.00	(2.50)	20.42	.00	(2.50)	20.42	20.42
Personal Services	949,240	45,349	(97,619)	896,970	41,039	(97,564)	892,715	1,789,685
Operating Expenses	352,285	16,345	(95,916)	272,714	(21,695)	(135,002)	195,588	468,302
Equipment	0	0	0	0	0	0	0	0
Local Assistance	18,100	25,000	0	43,100	25,000	0	43,100	86,200
Total Costs	\$1,319,625	\$86,694	(\$193,535)	\$1,212,784	\$44,344	(\$232,566)	\$1,131,403	\$2,344,187
General Fund	1,266,597	57,686	(193,535)	1,130,748	16,919	(232,566)	1,050,950	2,181,698
State/Other Special	8,791	611	0	9,402	2,585	0	11,376	20,778
Federal Special	7,237	25,090	0	32,327	25,095	0	32,332	64,659
Proprietary	37,000	3,307	0	40,307	(255)	0	36,745	77,052
Total Funds	\$1,319,625	\$86,694	(\$193,535)	\$1,212,784	\$44,344	(\$232,566)	\$1,131,403	\$2,344,187

Program Description

The Accounting and Management Support Program consists of several units. The Director's Office is responsible for supervision and coordination of agency programs and of boards and agencies that are administratively attached to the department. The Legal Services Unit provides legal services to agency programs and to programs that are administratively attached to the department. The Accounting Bureau maintains the Statewide Budgeting and Accounting System (SBAS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, handles state debt collection, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and Personnel function provides financial, budgeting, accounting, personnel, payroll, and data processing functions for the department.

Funding

The Director's Office, Accounting Bureau, and Management Support Bureau are funded with general fund. The department funds its legal, warrant writing, debt collection, and data processing support operations with proprietary funds, which are not included in the budget table. The Treasury Unit of the Management Support Bureau receives minor funding from the proprietary account of the Board of Investments in the Department of Commerce. The cost of the general services of the state financial advisor is funded with state special revenue from fees charged for department-administered bond issues. The U.S. Treasury Department reimburses the state for the cost of complying with the federal Cash Management Improvement Act.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund
Statewide Present Law						
Personal Services				45,349		41,039
Inflation/Deflation				(13,821)		(12,643)
Fixed Costs				31,361		(10,007)
Total Statewide Adjustments				\$62,889		\$18,389
Present Law Adjustments						
4	DOA Network charges/Misc. Adj. - HB2	.00	1,126	1,126	.00	1,346
6	Fixed Cost Reductions	.00	(2,321)	(2,321)	.00	(2,391)
9	Flood Control Funds to Counties	.00	0	25,000	.00	0
Total PL Adjustments		.00	(\$1,195)	\$23,805	.00	(\$1,045)
Present Law Adjustments Total				\$86,694		\$44,344

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are

standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - DOA Network charges/Misc. Adj. - HB2 - The legislature granted general fund present law adjustments of \$1,126 in fiscal 2000 and \$1,346 in fiscal 2001 to pay for internal network support. The legislature also granted a present law adjustment of \$2,000 in fiscal 2001 for a legislative-year trip for the financial advisor. The amount will be funded through fees assessed to bond-issuing agencies.

DP 6 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

DP 9 - Flood Control Funds to Counties - The U.S. Treasury Department makes payments to states from money it receives from leasing of lands acquired for flood control, navigation, and allied purposes. These funds are distributed to the appropriate counties. The legislature provided present law adjustments of \$25,000 each fiscal year in federal special revenue spending authority. The department previously accounted for these funds in an agency fund, but because of a legislative audit recommendation, now records them in a federal special revenue fund.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
8	Accounting Bureau Adj.	(2.00)	(187,545)	(187,545)	(2.00)	(220,645)	(220,645)
13	FTE Reduction	(.50)	(11,990)	(11,990)	(.50)	(11,921)	(11,921)
15	Actuarial Study	.00	6,000	6,000	.00	0	0
Total New Proposals		(2.50)	(\$193,535)	(\$193,535)	(2.50)	(\$232,566)	(\$232,566)

New Proposals

DP 8 - Accounting Bureau Adj. - Move Statewide Budget and Accounting System (SBAS) functions to MTPRRIME.

The legislature granted present law reductions of \$187,545 in fiscal 2000 and \$220,645 in fiscal 2001 due to the transfer of 2.0 FTE and associated operating costs to the MT PRRIME Operations Bureau. The department will retain some operating costs in the fiscal 2000 budget to pay for recording 1999 fiscal year end data on SBAS and producing reports necessary to prepare the Comprehensive Annual Financial Reports (CAFR).

DP 13 - FTE Reduction - The legislature removed funding for a 0.5 FTE administrative support position that had been vacant for an extended period.

DP 15 - Actuarial Study - The legislature approved a restricted biennial appropriation of \$6,000 to pay for an actuarial evaluation of the police retirement account. The appropriation had formerly been included in the budget of the State Auditor as a line item, but is required by 19-19-205, MCA to be paid by the state treasurer. The Department of Administrations performs the functions of the state treasurer.

Proprietary Rates

Program Description: Legal Services Unit (A/E 06504)

The Legal Unit of the Director's Office advises all divisions within the department on legal matters. The unit receives the majority of its funding through the Legal Services internal service fund by charging the non-general fund divisions for services provided.

Revenues and Expenses

The calculation that gives the amount of revenue the unit should derive from the internal service fund is based on the assumption (derived from a time study) that the Legal Services Unit will devote 1.33 FTE of their 2.0 FTE to the legal

matters of the non-general fund divisions. The internal service fund must therefore derive at least enough revenue to pay the personal services and associated operating costs of the 1.33 FTE. The costs of the remaining 0.67 FTE are paid by the general fund (and are included in the main budget table). Since the Legal Services Unit bills the divisions and programs on a semi-annual basis (in July and January), the unit will charge enough to generate a minimal cash reserve.

Rate Explanation

Table 1 shows the share of total fund revenue each program or division is expected to pay. The legislature defined rates for the Legal Services Unit as the share of total revenue each program or division is expected to pay.

Table 1 Legal Services Unit Rates	
Program or Division	Share
Information Services Division	27%
Teachers' Retirement Division	20%
Employee Benefits Program	26%
Risk Management and Tort Defense Program	2%
Architecture and Engineering Program	18%
General Services Division	7%
Total	100%

Significant Present Law

Internal Computer Support and Miscellaneous Adjustments - The rates the legislature approved will allow the Legal Services Unit to fund present law adjustments of \$412 in fiscal 2000 and \$438 in fiscal 2001 to pay the Network Support Unit for an increase in the indirect costs of maintaining computers. The unit will also fund present law adjustments of \$725 per fiscal year for legal research tools (a CD subscription to *Labor & Employment Law* at \$500 per year and access to *Lexus*, an electronic legal research tool at \$225 per year).

Decrease of 0.5 FTE in Legal Unit - The rates the legislature approved will reduce funding for the

unit in an amount equivalent to the personal services costs of 0.5 FTE. The 0.5 FTE will remain in the unit, but will be funded by the Personnel Division and will perform legal work for that division.

Program Description: Network Support Unit (A/E 06560)

The Network Support Unit administers all data processing functions of the department except those of the Information Services Division. The unit provides network support services, including installing software and hardware, responding to computer problems, and answering software questions. The unit also provides computer-programming services.

Revenues and Expenses

The unit anticipates revenues of \$145,652 in fiscal 2000 and \$151,896 in fiscal 2001. These amounts are increases of 11 percent and 16 percent over base year revenue. The unit anticipates expenses of \$151,729 in fiscal 2000 and \$151,502 in fiscal 2001. These amounts are both increases of 13 percent over base year amounts and are mainly due to increases in salaries for information technology employees and increased data network costs.

Rate Explanation

The financial objective of the Network Support Unit is to operate on a break-even basis. The unit charges other divisions in the department a fixed fee per computer to cover the costs of providing network support services, which it bills in July of each fiscal year to build up the working capital balance it requires. It charges a set fee per hour for computer programming, which it bills on an actual-hours-used basis.

The legislature approved rates of \$668 per computer for fiscal 2000 and \$685 per computer for fiscal 2001 for network service charges. For computer programming charges, the legislature approved a 60-day working capital rate.

Program Description: Pro-card Program

Through the Procurement Card Services Program, agencies are allowed to use a procurement card for purchases under \$5,000. Agencies using the card have their transactions uploaded electronically into the Statewide Budgeting and

Accounting System monthly. The cost for this program is recovered through fees assessed against agencies using the purchasing card. In fiscal 1998, the program was run on a pilot basis and revenues and expenditures were accounted for in the Network Support Unit proprietary account.

Revenues and Expenses

The program had requested a change to state special revenue funding, and so did not provide estimates of revenues and expenses.

Rate Explanation

The legislature authorized the program to charge fees for its goods and services that will allow it to maintain a 60-day working capital balance.

Program Description: Warrant Writer Program (A/E 06564)

The Department of Administration provides the services of the Warrant Writer Program to most state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing.

The system handles about 2 million payment transactions per year. Payment transactions include warrant writing and electronic transfers for vendor payments, retirement payments for public employees and teachers, payroll, worker's compensation, income tax refunds, special refunds, and public assistance benefit payments. In addition, the program maintains a central payee file to facilitate payment processing. The program is also responsible for consolidation of 1099-MISC information for the Internal Revenue Service (IRS). The program coordinates compliance with IRS rules governing 1099 MISC-filings and error reports.

Revenues and Expenses

The program uses historical data to forecast the following categories of payments: mailer warrants, non-mailer warrants, emergency warrants, duplicate warrants, external warrants, and electronic fund transfers. The program forecasts revenues of \$677,203 in fiscal 2000 and \$671,442 in fiscal 2001. These are decreases of 11 percent and 12 percent from base year revenues. The program forecasts expenses of \$708,617 in fiscal 2000 and \$644,245 in fiscal 2001, which are decreases of six percent and 14 percent from base year expenses. The reductions in revenues and expenditures are because a portion of the program will be transferred to the MT PRRIME Operations Bureau.

Rate Explanation

The program determines the proposed rate structure for each type of warrant or payment by conducting time, supply, and

Table 2
Warrant Writer Rates

Type	FY2000	FY2001
Mailer	\$ 0.50277	\$ 0.50143
Nonmailer	\$ 0.18230	\$ 0.18190
Emergency	\$ 3.30190	\$ 3.30060
Duplicates	\$ 0.50360	\$ 0.50320
Externals	\$ 0.14960	\$ 0.14920
Direct Deposit	\$ 0.09540	\$ 0.09380

processing analysis studies to determine the "estimated actual cost" of each payment type. Where possible, personal service costs are allocated to specific types of transactions before allocating the remaining costs to all other transactions. Fixed expenditures such as audit fees, miscellaneous supplies, rent, and telephone charges are allocated to all transactions. Variable costs such as postage, maintenance, computer processing, and warrant stock are allocated at a fixed rate against those items that utilized them.

The program had requested that the legislature allow it to charge fees sufficient to maintain at least 60 days of working capital. However, the legislature adopted numerical rates for each type of warrant the department issues, as shown in the table.

New Proposals**Warrant Writer Adjustments - Move warrant-writer functions to MT PRRIME**

The rates the legislature authorized will allow the department to make reductions of \$85,854 in fiscal 2000 and \$124,634 in fiscal 2001 by transferring 1.0 FTE and associated operating costs to the MT PRRIME Operations Bureau. The bureau will handle the computer processing and programming functions of the warrant-writing function. The department will retain some operating costs in the fiscal 2000 budget to handle warrant processing through June 30, 2000. The department is also including debt service costs of \$8,783 each fiscal year in the budget to finance the purchase of new printing equipment for the PeopleSoft computer system.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	17.50	.00	.00	17.50	.00	.00	17.50	17.50
Personal Services	614,478	131,096	0	745,574	127,393	0	741,871	1,487,445
Operating Expenses	248,950	29,776	0	278,726	30,380	0	279,330	558,056
Equipment	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$863,428	\$160,872	\$0	\$1,024,300	\$157,773	\$0	\$1,021,201	\$2,045,501
State/Other Special	863,428	160,872	0	1,024,300	157,773	0	1,021,201	2,045,501
Capital Projects	0	0	0	0	0	0	0	0
Total Funds	\$863,428	\$160,872	\$0	\$1,024,300	\$157,773	\$0	\$1,021,201	\$2,045,501

Program Description

The Architecture and Engineering Division (A&E) manages remodeling and construction of state buildings. Its functions include: planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session.

Funding

The division is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenditures.

Present Law Adjustments		Fiscal 2000		Fiscal 2000		Fiscal 2001	
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services				131,096			127,393
Inflation/Deflation				3,941			2,925
Fixed Costs				24,365			25,689
Total Statewide Adjustments				\$159,402			\$156,007
Present Law Adjustments							
1	Operating Adjustments	.00	0	3,314	.00	0	3,641
2	Fixed Cost Reductions	.00	0	(1,844)	.00	0	(1,875)
Total PL Adjustments		.00	\$0	\$1,470	.00	\$0	\$1,766
Present Law Adjustments Total				\$160,872			\$157,773

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Operating Adjustments - The legislature granted one-time-only increases in state special revenue of \$3,314 in fiscal 2000 and \$3,641 in fiscal 2001 to pay the division's share of legal fees, court costs, and internal network support costs.

DP 2 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	10.29	.00	.00	10.29	.00	.00	10.29	10.29
Personal Services	362,609	30,906	0	393,515	28,623	0	391,232	784,747
Operating Expenses	94,458	7,024	0	101,482	7,974	0	102,432	203,914
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$457,067	\$37,930	\$0	\$494,997	\$36,597	\$0	\$493,664	\$988,661
General Fund	457,067	37,930	0	494,997	36,597	0	493,664	988,661
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$457,067	\$37,930	\$0	\$494,997	\$36,597	\$0	\$493,664	\$988,661

Program Description

The Procurement and Printing Division is divided into the following four categories:

- 1) the Publications and Graphics Bureau, which provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies;
- 2) the Property and Supply Bureau, which purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property;
- 3) the State Procurement Bureau, which manages centralized purchasing for state agencies by investigating possible sources for products, determining alternate product possibilities, preparing specifications, enforcing the terms and conditions outlined in purchase orders, and providing technical assistance to state agencies regarding purchasing laws; and
- 4) the Vehicle Fueling, Energy Procurement, and State Procurement Card functions, which administer contracts for the statewide fueling network, the deregulated purchase of electricity and natural gas, and the state's MasterCard contract for the automated processing of small purchases.

Funding

The division is funded with general fund and proprietary funds. The Publications and Graphics Bureau is funded with proprietary funds through payments for services provided to other state agencies. The Property and Supply Bureau is funded from with proprietary funds through payments for goods and services provided to local governments and other state agencies. The State Procurement Bureau is funded from the general fund. The Natural Gas and Fueling Program is funded through markups on the cost of fuel and natural gas purchased for resale to state institutions and university system units and accounts for its funds in proprietary accounts.

Since only the State Procurement Bureau is funded with general fund, the amounts in the main budget table pertain only to that bureau. The HB 2 general fund appropriated to the program is \$988,661.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services				30,906			28,623
Inflation/Deflation				827			827
Fixed Costs				8,510			9,325
Total Statewide Adjustments				\$40,243			\$38,775
Present Law Adjustments							
1	Other Fixed Costs - Purchasing	.00	(1,082)	(1,082)	.00	(947)	(947)
5	Fixed Cost Reductions	.00	(1,231)	(1,231)	.00	(1,231)	(1,231)
Total PL Adjustments		.00	(\$2,313)	(\$2,313)	.00	(\$2,178)	(\$2,178)
Present Law Adjustments Total				\$37,930			\$36,597

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Other Fixed Costs - Purchasing - The legislature granted present law decreases of \$1,082 in fiscal 2000 and \$947 in fiscal 2001 because Network Support Units charges will be less than in the base year.

DP 5 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

Proprietary Rates

Program Description: Procurement and Printing Division

The Procurement and Printing Division manages several proprietary activities. The Publications and Graphics Bureau provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies. The Property and Supply Bureau purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property. The bureau also manages the Vehicle Fueling, the Natural Gas and Procurement, and the Procurement Card Programs.

The program includes the following five proprietary accounts: the Publications and Graphics account, the Central Stores account, the Surplus Property account, the Vehicle Fueling account, and the Natural Gas and Electricity Procurement account. The Surplus Property account is an enterprise fund for which the legislature does not approve rates.

Publications and Graphics Account (A/E 06530)

The Publications and Graphics Bureau prints; duplicates; provides the photocopy pool copiers; provides typography; does layout and design, graphic and illustrative art, photo-reprographics, binding, and quick copy; and contracts out certain printing.

Revenues and Expenses

The program is projecting revenue of \$6,297,504 in fiscal 2000 and \$6,647,042 in fiscal 2001. These are increases of 1.4 percent and 7 percent from base year revenues. The program is projecting expenditures of \$6,497,574 in fiscal 2000 and \$6,747,084 in fiscal 2001. These are increases of 2.7 percent and 6.7 percent from base-year expenses. The program projects that the fund balance will fall by approximately 37 percent by the end of the biennium, to \$695,177.

Rate Explanation

The legislature authorized the program to charge fees for its services that will allow it to maintain a 60-day working capital reserve.

Significant Present Law

The program plans to increase spending in the following categories:

- 1) Overtime: increases of \$3,469 in fiscal 2000 and an additional \$5,500 in fiscal 2001 to cover rush printing jobs and fiscal-year-end printing;
- 2) Printing Equipment Maintenance: an increase of \$10,000 in fiscal 2001 to cover maintenance for the Legislative Print Shop. The \$10,000 figure is based on the price of the current maintenance contract;
- 3) Other Direct Materials Costs: an increase of \$16,500 in fiscal 2001 for the Legislative Print Shop. The amount is based on fiscal 1997 actual costs;
- 4) Direct Materials - Paper: an increase of \$13,500 for fiscal 2001 for the Legislative Print Shop. The amount is based on fiscal 1997 actual costs;
- 5) Photocopy Pool: a 12 percent increase for fiscal 2001 in the price of the three-year photocopy pool contract and an additional \$34,496 in fiscal 2001 to cover Legislative copier costs for the House and Senate; and
- 6) Installment Purchases: increases of \$50,000 each fiscal year to cover the installment purchase of a high-speed electronic processing duplicator.

Central Stores Account (A/E 06531)

Central Stores purchases, warehouses, sells, and delivers commonly used items, including office supplies, fine paper, computer paper, janitorial supplies, coarse paper, software, and forms to all state agencies. The program states that it tries to charge prices that enable it to recover costs of personnel, operating expenses, necessary equipment purchases, and any costs for additional inventory requirements. To support its operations and the required inventory levels, the program attempts to maintain a 45-day operating reserve.

Revenues and Expenses

The program is projecting revenue of \$4,018,200 in fiscal 2001 and \$4,138,746 in fiscal 2001. These are increases of 6.1 percent and 9.3 percent from base-year revenues. The program is projecting expenditures of \$4,082,452 in fiscal 2000 and \$4,073,242 in fiscal 2001. These are increases of 1.5 percent and 1.3 percent from base year expenses. The program projects operating losses of \$64,252 in fiscal 2000, which it predicts will be offset almost exactly by an operating profit of \$65,504 in fiscal 2001. The program projects that the fund balance will fall by approximately 12 percent by the end of the biennium, to \$1,070,451.

Rate Explanation

The legislature authorized the program to charge fees for its goods and services that will allow it to maintain a 60-day working capital balance.

Surplus Property Account (A/E 06066)

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by state agencies. The bureau attempts to extend the life of state property by providing a mechanism to transfer surplus property between agencies. It also attempts to create a broad and efficient market for selling state surplus property and to provide accountability in the disposal of surplus state property. The bureau provides agencies with a surplus equipment pick-up service and operates a screening service to locate federal surplus property for state and local agencies.

The program retains the proceeds from the sale of an agency's surplus equipment if the sale value is \$150 or less. If the sale value is greater than \$150, the program retains 8 percent of the sale value plus any extraordinary sales expenses. The program absorbs the fixed costs of all auctions. Though the program charges no transfer fee for property transferred among state agencies, it charges a \$25 per hour fee to the agency receiving the property if it is required to move property physically from one agency to another. In the federal surplus program, the program charges 14 percent of the federal acquisition value (FAV) plus freight charges.

Because the surplus property program accounts for its operations in an enterprise fund, the legislature does not approve rates for the program.

Natural Gas and Electricity Account (A/E 06558)

The Natural Gas and Electricity Program purchases natural gas and electricity for selected state agencies and the university system.

Revenues and Expenses

The program had requested a change to state special revenue funding, and so did not provide estimates of revenues and expenses.

Rate Explanation

The legislature authorized the program to charge fees for its services that will allow it break even over the biennium. (That is, the program will maintain no funding reserve.)

Vehicle Fueling Account (A/E 06561)

The Vehicle Fueling Program provides for fueling public vehicles through an integrated commercial/public fueling network.

Revenues and Expenses

The program had requested a change to state special revenue funding, and so did not provide estimates of revenues and expenses.

Rate Explanation

The legislature authorized the program to charge fees for its goods and services that will allow it to maintain a 60-day working capital balance.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	2.00	.00	.00	2.00	.00	.00	2.00	2.00
Personal Services	129,798	(38,636)	0	91,162	(39,287)	0	90,511	181,673
Operating Expenses	95,298	697,706	476,314	1,269,318	747,582	494,870	1,337,750	2,607,068
Equipment	17,329	32,671	0	50,000	(17,329)	0	0	50,000
Total Costs	\$242,425	\$691,741	\$476,314	\$1,410,480	\$690,966	\$494,870	\$1,428,261	\$2,838,741
General Fund	242,425	(58,259)	476,314	660,480	(59,034)	494,870	678,261	1,338,741
Federal Special	0	750,000	0	750,000	750,000	0	750,000	1,500,000
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$242,425	\$691,741	\$476,314	\$1,410,480	\$690,966	\$494,870	\$1,428,261	\$2,838,741

Program Description

The Information Services Division (ISD) manages central computer services and telecommunications services for state government. Through its central computing services function, the division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer. The division plans and coordinates data processing for state agencies and reviews and approves equipment and software acquisitions. It designs and develops data processing applications and provides continuous maintenance support. The division also provides data processing training and support and consulting services for microcomputer and office automation systems. The division manages disaster recovery facilities for critical data processing applications.

The division's telecommunications function provides local and long distance telephone network services and designs, develops telephone equipment network applications, and serves other telecommunications needs for state agencies. It also manages the statewide 911 emergency telephone service and coordinates use of radio frequencies with local governments.

The division also oversees Geographic Information Systems (GIS) development and houses the MT PRRIME program.

Program Narrative

MT PRRIME Operations Bureau

MT PRRIME (Montana's Project to Re-engineer the Revenue and Information Management Environment) will replace the state's automated financial, human resource, asset management, and budget systems with a commercial integrated software package that the Information Services Division of the Department of Administration will maintain. The 1997 legislature granted \$16.0 million of funding for development of the MT PRRIME in HB 188. In the 2001 biennium budget request, the executive included a proposal for a MT PRRIME Operations Bureau to operate and maintain the MT PRRIME system. The executive proposed that \$5.4 million of funding for the MT PRRIME Operations Bureau come from fixed costs assessed to state agencies, but also requested a direct general fund appropriation of \$1.13 million. The direct general fund support was to be for software maintenance. The debt service costs from the \$16.0 million of bonds issued to fund development of the system were also included in agency budgets and total nearly \$5.0 million dollars for the 2001 biennium.

The legislature reduced funding for personal services by \$363,184 (an amount equal to funding for 4.0 FTE) but added \$200,000 for contracted services, for a net reduction of the Executive Budget request by \$163,184. The legislatively approved budget for the operations bureau consists of 26.0 FTE and \$6,373,675 total for the biennium, as shown in Table 1. To reduce the budget, the legislature provided a general fund appropriation lower than the amount requested by the executive, but accepted the amounts the executive had included in agency budgets as fixed costs. The legislature made it clear that by reducing the requested general fund appropriation, it was not suggesting that the operations bureau cut funding for software maintenance, but instead reducing the overall budget of the operations bureau by an amount equivalent to 4.0 FTE.

In the budget request, the executive noted that since the MT PRRIME project would replace existing financial and payroll functions for which agencies had been paying, agency budgets could be reduced to reflect the cost savings. In addition, the base budget of the Governor's Office included \$80,000 for system development costs; that funding was transferred to the MT PRRIME Operations Bureau. Finally, the executive noted that the system should provide cost savings through increased efficiency and reduced agency general fund budget requests accordingly, in effect "forcing" agencies to achieve cost savings. The legislature concurred in the executive's characterizations of cost savings and funded the MT PRRIME associated portions of agency budgets as the executive had requested. The breakdown of funding sources for the MT PRRIME Operations Bureau is shown in Table 2.

Funding

Nearly all the operations of the Information Services Division are funded with proprietary funds. The program receives general fund to operate the Statewide 911 Emergency Telephone Service and general and federal fund support for GIS development. The legislature also granted a direct general fund appropriation for partial support for the MTPRRIME Operations Bureau.

Table 1 MT PRRIME Costs and Funding MT PRRIME Budget - Operations Bureau			
Expenditure Category	FY 2000	FY 2001	Totals
Personal Services (26 FTE)	\$ 1,341,288	\$ 1,408,090	\$ 2,749,378
Network Communications Bureau	120,921	142,025	262,946
Operations Support Bureau	450,564	449,915	900,479
Support Contracts	320,000	318,400	638,400
Maintenance Contracts	627,350	655,018	1,282,368
Bureau (physical facility costs)	114,357	88,590	202,947
Staff Training and Travel	90,000	90,000	180,000
Equipment (one-time)	30,000	-	30,000
Division Allocated Costs	<u>62,073</u>	<u>65,084</u>	<u>127,157</u>
TOTAL MT PRRIME OPERATIONS COSTS	<u>\$ 3,156,553</u>	<u>\$ 3,217,122</u>	<u>\$ 6,373,675</u>
Funding			
Fixed Cost Allocations to Agencies	2,680,239	2,722,252	5,402,491
General Fund - Direct Appropriation	<u>476,314</u>	<u>494,870</u>	<u>971,184</u>
TOTAL MT PRRIME FUNDING	<u>\$ 3,156,553</u>	<u>\$ 3,217,122</u>	<u>\$ 6,373,675</u>

Table 2 MT PRRIME Operations Bureau - Who Pays?				
	FY 2000	FY 2001	Total	Percent
General Fund Direct Appropriation	\$ 476,314	\$ 494,870	\$ 971,184	15%
Agency Fixed Costs - New Cost Allocations (Net)	<u>769,486</u>	<u>737,085</u>	<u>1,506,571</u>	24%
Subtotals	1,245,800	1,231,955	2,477,755	39%
Agency Fixed Costs - Cost Savings	545,791	617,671	1,163,462	18%
Governor's Office - Cost Savings	40,000	40,000	80,000	1%
Agency General Fund Base Reductions	<u>1,324,962</u>	<u>1,327,496</u>	<u>2,652,458</u>	42%
Subtotals	1,910,753	1,985,167	3,895,920	61%
TOTALS	<u>\$ 3,156,553</u>	<u>\$ 3,217,122</u>	<u>\$ 6,373,675</u>	<u>100%</u>

Present Law Adjustments							
Present Law Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
Statewide Present Law							
	Personal Services			(38,636)			(39,287)
	Inflation/Deflation			986			772
	Fixed Costs			2,833			2,922
	Total Statewide Adjustments			(\$34,817)			(\$35,593)
Present Law Adjustments							
1	St 911 Program - GF - Adjustments to base	.00	7,581	7,581	.00	7,581	7,581
18	Public Safety Radio - GF	.00	(40,000)	(40,000)	.00	(40,000)	(40,000)
19	GIS Cadastral - HB2	.00	9,158	759,158	.00	9,158	759,158
21	Fixed Cost Reductions	.00	(181)	(181)	.00	(180)	(180)
	Total PL Adjustments	.00	(\$23,442)	\$726,558	.00	(\$23,441)	\$726,559
	Present Law Adjustments Total			\$691,741			\$690,966

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - St 911 Program - GF - Adjustments to base - The legislature granted present law adjustments totaling \$7,581 general fund each fiscal year for operating costs related to the statewide 911 emergency telephone service.

DP 18 - Public Safety Radio - GF - The legislature granted present law reductions of \$40,000 general fund each fiscal year, which removes funding for the program. The executive also requested that funds requested but subsequently not needed in the General Services Program budget be used to continue funding for the program. The amounts requested were general fund of \$108,088 in fiscal 2000 and \$107,338 in fiscal 2001. The legislature declined to fund the program.

DP 19 - GIS Cadastral - HB2 - The legislature provided one-time-only present law adjustments of \$9,158 general fund each fiscal year and \$750,000 federal special revenue each fiscal year for support of the statewide GIS Cadastral Mapping project.

DP 21 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

New Proposals							
Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
4	General fund for MT PRRIME	.00	476,314	476,314	.00	494,870	494,870
Total New Proposals		.00	\$476,314	\$476,314	.00	\$494,870	\$494,870

New Proposals

DP 4 - General fund for MT PRRIME - The legislature granted general fund appropriations of \$476,314 in fiscal 2000 and \$494,870 in fiscal 2001 for support of the MT PRRIME Operations Bureau. (See the discussion of the MT PRRIME budget in the "Program Narrative" section above.

Language

"The legislature also encourages the executive to explore ways to recruit Montana college students to work in the MT PRRIME Operations Bureau, including ways to offer college credits or other methods as allowed by law."

Proprietary Rates

Program Description

The Information Services Division (ISD) receives proprietary funding to pay its costs of managing central computer services and telecommunications services for state government. Proprietary funds pay the expenses of the central computing services function along with the other information system management services the division provides. The division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer.

The division's telecommunications function receives proprietary funds to pay the costs of providing local and long distance telephone network services and the costs of designing and developing telephone equipment network applications.

The division also receives proprietary funds for a portion of the costs of the Montana Geographic Information Systems project and for most of the costs of the MT PRRIME program. The MT PRRIME program is housed in the division and is responsible for the operation and maintenance of the state Legacy Solutions budget development system and the PeopleSoft human resource, financial, and asset management systems.

Revenues and Expenses

The agency is forecasting revenues of \$30,083,873 in fiscal 2000 and \$30,728,304 in fiscal 2001, which are increases of 33.7 percent and 36.6 percent over base year revenue. The program is forecasting expenses of \$30,141,900 in fiscal 2000 and \$30,608,582 in fiscal 2001, which are increases of 29 percent and 31 percent over base year revenue. The agency projects that the fund balance will increase by 21.2 percent from the base year but will have fallen by 68 percent from its high in fiscal 1996.

Rate Explanation

The legislature authorized the program to charge fees that will allow it to maintain no more than a 60-day working capital balance, except that the legislature authorized the program to charge a data network rate of no more than \$64.59 per connection per month.

Revenues the internal service fund receives come from the following four major revenue centers:

- 1) Computer Operations Bureau (COB): COB revenues are generated from state mainframe processing charges to agencies based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts.
- 2) System Support Bureau (SSB): SSB revenues come from systems support and development charges based upon an hourly service rate.
- 3) Telecommunications Data: Revenues come from network charges assessed on a monthly or yearly basis per workstation or installation.
- 4) Telecommunications Voice: Revenues come from voice telecommunication charges on equipment and long-distance usage.

The division plans to change its fees to state agencies from the 1999 biennium levels. Mainframe processing charges would decrease by 19 percent while laser printing charges would increase by 10 percent in the 2001 biennium relative to the charges assessed in the fiscal 1998 base year. Telephone equipment charges would increase by 7 percent, but there would be no change in long distance charges in the 2001 biennium relative to the fiscal 1998 base year.

The division assigns the costs of the data network to agencies as a monthly fixed cost based upon the projected number of network devices in the agency. The monthly charge will increase from \$53.00 per month per intelligent device (PC) to \$64.59 per month per device in fiscal 2000 and fiscal 2001. The monthly charge for non-intelligent devices (terminals) will remain constant at \$30.00 per month.

The division bases its hourly charges for systems support and development on projected hours of service. The fiscal 1998 base cost of \$44.00 per hour for project development and end-user and LAN administration is projected to increase to \$53.00 per hour in fiscal 2000 and fiscal 2001, largely because of data network and Summitnet growth.

Significant Present Law

In preparing its rates, the program calculated that a base rate of \$50.00 per intelligent device would have been necessary to allow it to maintain base services. The present law adjustments and new proposals discussed below are those that the legislature considered when deciding what rate to approve.

Data Network Growth - The division plans to continue to provide hardware, circuits, and support for the state, local, and wide-area data networks (Summitnet). The state would expand its current network, add additional bandwidth at existing sites, and support newly developed applications by state agencies. The division plans to recover the costs by allocating 90 percent of the costs to the Summitnet data network rate and allocating the remaining 10 percent of the costs as a direct charge to other state entities.

Rate impact: Expenditures for data network growth will account for \$5.995 of the data network rate.

Data Network Security Tools - The division plans to provide network security including Virus Scan software, encryption, and Internet firewall protection and to implement firewall and encryption software in various points throughout the network to protect critical applications and sensitive data files. The division plans to recover costs by allocating 50 percent of the costs to the Summitnet data network rate and the remaining 50 to the local area network rate.

Rate impact: Expenditures for data network security tools will account for \$1.57 of the data network rate.

Network Operating System Support and Management - The division would hire an additional 2.0 FTE and purchase software necessary to provide additional support for Windows NT application needs, Web servers, and database servers. The cost of one of the FTE would be recovered through data network charges. The FTE would assist agency local area network administrators throughout the state with new installations, would troubleshoot technical problems, coordinate local area network reconfiguration, and support application services in local area networks.

The second FTE, requested by agencies through the Information Technology Advisory Committee, would provide centralized NetWare and Windows NT support on a contract basis. The cost of this FTE would be paid by agencies using the FTE and is not included in the data network rates.

Rate impact: Expenditures for network operating system support and management will account for \$3.02 of the data network rate.

Telephone Management System - The division plans to replace the current system that was purchased in 1987 and is no longer supported by the developer. The division plans to replace both hardware and software. The division plans to allocate 50 percent of the costs to the long-distance rate and 50 percent to the telephone rate.

Video System Upgrades and Support - The division plans to upgrade the compressed video systems throughout the network to the latest software and hardware and to provide increased levels of FTE support. It plans to allocate the cost of the upgrades and support to the video rate.

Enterprise Mid-Tier Support - The division plans to expand the mid-tier computer production processing capability and the capacity of the Computer Operations Bureau. The mid-tier computer configuration is located within the existing ISD computer center to take advantage of the central physical facilities of conditioned electrical power, physical security, fire detection and suppression systems, technical expertise, and 24-hour, 7-days-a-week operational support. The division plans to allocate the costs to mid-tier users.

Statewide GIS Cadastral Database - The Statewide GIS Cadastral Mapping project is a collaborative effort of many state, local, federal and private users. Participants will coordinate development of a single automated database of land parcel information based on a standard database design. There are also plans to train local governments in the use of the data. Except for an annual general fund request of \$60,000 and a federal fund request of \$750,000 each fiscal year, participating programs pay the costs of the GIS project. The state's costs of automating the land parcel information are reduced by the participation by local government, federal, and private users.

Rate impact: This proposal does not affect any of the regular ISD charges, because the proprietary fund support for the project would come from direct charges to other state agencies and private entities.

New Proposals

MT PRRIME Bureau - MT PRRIME will replace the state automated financial, human resource, asset management, and budget systems with a commercial, integrated software package, which will be maintained by the MT PRRIME Operations Bureau. The bureau will be housed in the Information Services Division.

The MT PRRIME Operations Bureau will be responsible for the operation and maintenance of the Legacy Solutions budget development system and the PeopleSoft human resource, financial, and asset management systems. The bureau will provide resources to manage the systems and implement upgrades and will coordinate with vendors both for system support and for future changes to the system. The bureau will coordinate work with other ISD bureaus in the area of network and computer operations and will provide end user support including end user training and traditional help-desk services. It will also promote use of the systems by state agencies and will implement security procedures, data backup, interface management, disaster recovery, testing, and contingency plans. The bureau will coordinate all technical aspects of the systems with the state data center and the telecommunications and systems support functions also located within ISD. The MT PRRIME Operations Bureau will develop the statewide strategic policy and technology plans in the areas of budget, human resources, technology support, and financial and asset management.

This bureau will coordinate all aspects of systems operations with the Department of Administration accounting, procurement, and personnel functions; the Office of Budget and Program Planning; the Legislative Fiscal Division; and all state agencies, including the university system.

Rates Approved: To pay the costs of the bureau, the executive requested a direct general fund appropriation and allocated the remaining costs to agencies as a fixed cost. The legislature provided some direct general fund support as explained in the new proposal in the HB 2 portion of the budget and accepted the total amounts allocated to agencies as a the rates the bureau will charge. The total amount allocated to agencies is \$5,402,491 for the biennium.

Central Administration and Funding Desktop Software - The division plans to purchase standard desktop suite software (Microsoft Office Standard) with a two-year upgrade cycle, with costs allocated to the local network rate.

Rate Impact: Expenditures on this present law adjustment will account for \$4.00 of the data network rate.

Inter-Governmental IT Coordination Services - The division plans to offer information technology (IT) coordination and support services to local government agencies. The division would work with local governments to identify opportunities for standardizing technology, coordinate deployment of technology within local governments, and use joint contracts for equipment and service purchases.

Rate impact: The expenses would be offset by direct charges to the local governments.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Operating Expenses	276,635	32,725	0	309,360	47,315	0	323,950	633,310
Capital Outlay	0	32,400	0	32,400	32,400	0	32,400	64,800
Transfers	58,800	(58,800)	0	0	(58,800)	0	0	0
Total Costs	\$335,435	\$6,325	\$0	\$341,760	\$20,915	\$0	\$356,350	\$698,110
General Fund	235,319	106,441	0	341,760	121,031	0	356,350	698,110
Capital Projects	65,694	(65,694)	0	0	(65,694)	0	0	0
Proprietary	34,422	(34,422)	0	0	(34,422)	0	0	0
Total Funds	\$335,435	\$6,325	\$0	\$341,760	\$20,915	\$0	\$356,350	\$698,110

Program Description

The General Services Program manages repair and maintenance services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. The program provides locksmith, painting, remodeling, and construction services. The program supervises contracts for mechanical maintenance, pest control, janitorial services, elevator repair, security, maintenance, and garbage collection for state-owned buildings. The program also provides professional and technical assistance to agencies that are located within a ten-mile radius of the capitol complex.

Funding

Funding for the General Services Program is primarily from proprietary funds not included in the HB 2 budget, which the program receives by charging rent to state agencies. Agencies pay rent on office and warehouse space in state buildings located mostly on the Capitol complex.

The legislature also granted the program a HB 2 appropriation of \$698,110. The general fund appropriation will be counted as a rent expense, though it will actually be transferred as revenue into the general services proprietary account. The general fund support is to pay the costs of maintaining "common areas" such as legislative office space, the Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. The common areas account for about 20 percent of the capitol complex office space. In the past, the program received capitol land grant funds to pay maintenance costs on buildings in the capitol complex. For the 2001 biennium, the program did not request capitol land grant funds.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Inflation/Deflation				3			3
Fixed Costs				0			0
Total Statewide Adjustments				\$3			\$3
Present Law Adjustments							
5	Fixed Cost Reductions	.00	(10,734)	(10,734)	.00	(10,738)	(10,738)
13	Capital Outlay	.00	32,400	32,400	.00	32,400	32,400
15	HB 002 Adjustments	.00	(15,344)	(15,344)	.00	(750)	(750)
16	Aviation Support Facility	.00	0	0	.00	0	0
Total PL Adjustments		.00	\$6,322	\$6,322	.00	\$20,912	\$20,912
Present Law Adjustments Total				\$6,325			\$20,915

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are

standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

DP 13 - Capital Outlay - The legislature accepted present law adjustments of \$32,400 general fund in each year of the biennium to fund a lease-purchase agreement that the state entered into for the facility located at 1227 11th Avenue, which houses the Office of Public Instruction. The Department of Administration will own this facility at the end of the lease-purchase agreement.

DP 15 - HB 002 Adjustments - The legislature provided net present law general fund decreases of \$15,344 in fiscal 2000 and \$750 in fiscal 2001. The present law adjustments will fund an increase in the fixed cost general fund portion of maintenance and rent costs for the "common areas" that are not included in the regular rental rate assessed to agencies. The "common areas" include the third and fourth floors of the Capitol, the Historical Museum, the original Governor's mansion, and the Executive Residence. The cost increases in the present law adjustments are more than offset by decreases in contracted services, communications, repair and maintenance, and other expenses that will be funded through the proprietary fund rent rate.

Proprietary Rates

Program Description: General Services Program (A/E 06528)

The General Services Program manages repair and maintenance services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. The program provides locksmith, painting, remodeling, and construction services. The program supervises contracts for mechanical maintenance, pest control, janitorial services, elevator repair, security, maintenance, and garbage collection for state-owned buildings. The program also provides professional and technical assistance to agencies that are located within a ten-mile radius of the capitol complex.

The General Services Program has increased its responsibilities with the addition of two new facilities. The first is the building at 1227 11th Avenue, which houses staff for the Office of Public Instruction. The second is the Aviation Support Facility located on Airport Road in Helena, which provides hangar and office space for the Division of Natural Resources and Conservation and will provide office space for the MT PRRIME program.

Revenues and Expenses

The program is forecasting revenues of \$5,378,852 in fiscal 2000 and \$5,611,123 in fiscal 2001. These are increases of 17 percent and 22 percent over base year revenues. Part of the increase is due to the two new facilities the program now serves. The program forecasts expenses of \$5,350,098 in fiscal 2000 and \$5,500,045 in fiscal 2001. These are increases of 23 percent and 27 percent over base year amounts. The fund balance is projected to fall by 11 percent by the end of the biennium, to \$772,481.

Rate Explanation

The program allocates rent to agencies occupying space in the buildings controlled by the Department of Administration on a per-square-foot basis. The rates are established to cover the cost of personal services, operating expenses (including major maintenance), and new and replacement equipment. The program charges for project work completed for agencies by in-house staff or contracted with an outside vendor on a cost-recovery basis.

The legislature approved the following rental rates for the program:

	<u>Office Space</u>
Fiscal 2000	\$5.13 per square foot
Fiscal 2001	\$5.37 per square foot

	<u>Warehouse Space</u>
Fiscal 2000	\$2.12 per square foot
Fiscal 2001	\$2.12 per square foot

Significant Present Law

Janitorial Services - This present law adjustment accounts for \$0.18 of the program's proposed fiscal 2001 rate of \$5.37 per square foot.

Caretaker Services - This present law adjustment accounts for \$0.24 of the program's proposed rates of \$5.13 per square foot in fiscal 2000 and \$5.37 per square foot in fiscal 2001.

Security Services - This present law adjustment accounts for \$0.066 of the program's proposed rate of \$5.37 per square foot in fiscal 2001.

Utilities and Other Expenses - These present law adjustments account for \$0.182 of the program's proposed rate of \$5.13 per square foot in fiscal 2000 and \$0.335 of the program's proposed rate of \$5.37 per square foot in fiscal 2001. The program had originally requested higher rates to allow for a fire district fee the city of Helena had imposed that the state did not pay on the advice of the attorney general. On this advice, the legislature lowered the program's requested rate by \$0.068 each fiscal year.

Buildings and Grounds Repairs and Maintenance - The executive recommends restoring \$451,822 each year of the biennium in proprietary fund authority, which was transferred by the General Services Program to the Architecture and Engineering Division during the base year, for an energy retrofit project and a security enhancement project. These expenditures do not appear in the General Services Program base budget. In addition, the increases would fund some continuing appropriation authority for ongoing projects.

Rate Effect: Though these expenditures were not included in the program's fiscal 1998 base, they were included in its calculations of rent charges for the 1999 biennium and therefore have no affect on the program's rates.

Equipment - The General Services Program plans to purchase a service truck for maintenance, carpenters, and painters, either through competitive bid or from surplus property. The net effect of the purchase will be a present law increase of \$6,500 in fiscal 2000 and a decrease of \$8,500 in fiscal 2001.

Rate Effect: This present law adjustment accounts for \$0.02 of the program's rates of \$5.13 per square foot in fiscal 2000.

Aviation Support Facility - Effective October 1, 1998, the General Services Program assumed responsibility for the aviation support facility building. The Department of Natural Resources and the MT PRRIME program will be leasing this space from the Department of Administration. The department has entered into a long-term ground lease with the Helena Regional Airport authority to lease the ground (approximately 225,258 square feet) where the facility is located and to pay for snow removal and lawn maintenance. The budget supported by the program's rates includes \$19,941 in fiscal 2000 and \$20,340 in fiscal 2001 in proprietary funds to pay for the lease.

Program Description

The Mail & Distribution Bureau manages mail service for state agencies and also manages the Post Office located in the Capitol building.

Funding

The Mail & Distribution Bureau receives its entire funding from proprietary funds.

Proprietary Rates**Program Description**

The Central Mail Bureau manages mail service for state agencies and also manages the Post Office located in the Capitol building. The Central Mail Bureau is authorized to operate a Mail & Distribution Program as a centralized facility. The Mail & Distribution Program provides a professional mail processing staff, using automated mail processing equipment.

Revenues and Expenses

The program forecasts revenues of \$3,403,683 in fiscal 2000 and \$3,402,250 in fiscal 2001, which are approximately 5 percent more than fiscal 1998 revenues. The program forecasts expenditures of \$3,450,647 in fiscal 2000 and \$3,448,394, which are approximately 7 percent more than fiscal 1998 expenditures. The program forecasts operating losses in both years of the biennium, which will cause fund balance to fall 12 percent by the end of the biennium.

Rate Explanation

The legislature approved two types of rates in this program, one for messenger service, also known as "deadhead mail" and one for handling U.S. Post Office mail. The program allocates the cost of deadhead mail to agencies as a fixed cost. The legislature approved the total amounts the program had allocated to agencies as the program's rates. The total amount allocated is \$163,704 per fiscal year. For the handling of U.S. Post Office mail, the legislature approved a 60-day working capital rate that will allow the program to charge fees necessary to maintain no more than 60-days of working capital.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	23.25	(.75)	.00	22.50	(.75)	.00	22.50	22.50
Personal Services	817,123	93,235	0	910,358	88,200	0	905,323	1,815,681
Operating Expenses	210,478	38,558	0	249,036	39,020	11,000	260,498	509,534
Equipment	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,027,601	\$131,793	\$0	\$1,159,394	\$127,220	\$11,000	\$1,165,821	\$2,325,215
General Fund	1,027,601	131,793	0	1,159,394	127,220	0	1,154,821	2,314,215
State/Other Special	0	0	0	0	0	11,000	11,000	11,000
Total Funds	\$1,027,601	\$131,793	\$0	\$1,159,394	\$127,220	\$11,000	\$1,165,821	\$2,325,215

Program Description

The State Personnel Division provides state agencies with a comprehensive program of personnel administration, including training, position classification and pay, collective bargaining and labor relations, and equal employment and affirmative action. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers benefits plans including health, life, dental, and vision insurance, flexible spending accounts, deferred compensation, a sick leave fund, employee incentive awards, and health promotion. The division also prepares, maintains, and distributes payroll for all state employees.

Funding

Funding for general personnel administration functions is from the general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. The State Payroll Unit is funded with proprietary fees charged to state agencies for payroll processing services.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services				125,174			120,053
Inflation/Deflation				1,043			850
Fixed Costs				24,802			27,078
Total Statewide Adjustments				\$151,019			\$147,981
Present Law Adjustments							
1	Adjustments to Base	(.75)	(17,064)	(17,064)	(.75)	(18,564)	(18,564)
7	Fixed Cost Reductions	.00	(2,162)	(2,162)	.00	(2,197)	(2,197)
Total PL Adjustments		(.75)	(\$19,226)	(\$19,226)	(.75)	(\$20,761)	(\$20,761)
Present Law Adjustments Total				\$131,793			\$127,220

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Adjustments to Base - The legislature granted present law net reductions of \$17,064 in fiscal 2000 and \$18,564 in fiscal 2001 to fund various adjustments to the base, as described below:

An additional \$2,000 in budget authority will pay for increases in the bid price of the Montana employers' salary survey. An additional \$10,000 per year will pay for expansion of the Human Resource Competency Project. An additional \$1,826 each year will be added to existing funding to provide sufficient funding for quarterly meetings of the Governor's Advisory Council on Disabilities.

The Personnel Administration Program is making changes to the FTE positions assigned to the Program. The adjustments will result in a reduction of FTE in the program. The personal services reductions are greater than the additional funding described above, so the result of the present law adjustments will reduce the program's budget by \$17,064 in fiscal 2000 and by \$18,564 in fiscal 2001.

DP 7 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	Total Funds
1	Daycare Center Startup Costs	.00	0	0	.00	11,000
Total New Proposals		.00	\$0	\$0	.00	\$11,000

New Proposals

DP 1 - Daycare Center Startup Costs - The legislature granted a state special revenue appropriation of \$11,000 in fiscal 2001 to allow the division to receive funds from other state agencies to pay part of the startup costs of a daycare center for Helena-area state employees. The center will be run by a private concern and the operating costs of the center will be paid through fees charged to parents using the center. The legislature also included language specifying how the division should allocate the startup costs to agencies.

Language

"If the Helena school district is willing to rent space to the Department of Administration in the Ray Bjork school, the department may collect up to \$11,000 from agencies based on the number of Helena FTE for the purpose of establishing and supporting a daycare center."

Proprietary Rates

Program Description: Professional Development Center (A/E 06525)

The Professional Development Center provides a variety of training products and services to state agencies on a fee reimbursement basis. About 1 percent of the program's revenue comes from the sale of guidebooks and other training materials.

Revenues and Expenses

The program measures the demand for its services by counting the number of participants serviced, which varies over time and is difficult to predict from quarter to quarter. The program served 3,334 participants in fiscal 1997 and 2,898 participants in fiscal 1998. The program projects revenues of \$266,180 in fiscal 2000 and \$276,247 in fiscal 2001, which are increases of 31 percent and 36 percent over base year revenues. It projects expenses of \$254,145 in fiscal 2000 and \$264,213 in fiscal 2001, which are increases of 34 percent and 40 percent over base year expenses. By the end of the biennium, the program will have built the fund balance up to \$40,070 from the \$9,659 balance at the end of fiscal 1998.

Rate Explanation

The program establishes its rates by separating fixed costs or overhead from those variable costs directly associated with a specific workshop or service. The total projected fixed costs are divided by an estimate of total billable hours to allocate fixed costs to billable staff hours. Billable hours for the 3.0 FTE in the program are estimated based on an analysis of

billing hours in past fiscal years. General preparation time, planning, supervisory and administrative tasks, personal leave, and unbilled travel time are subtracted from the total available hours. The analysis done by the department indicates that 62 percent of total staff time can be billed to specific products or services.

The department's analysis of expenses indicates that 26 percent of total costs are variable costs that can be associated with specific products or services. The remaining 74 percent are personal services and other fixed costs that must be allocated through staff time.

The legislature accepted the program's proposed rates as follows:

Fiscal 2000 base price: \$50.91/hour

Fiscal 2001 base price: \$52.84/hour

Significant Present Law

Improve Training Services - The program expects to refurbish and enhance its video library during the 2001 biennium and expects to spend an additional \$1,650 in fiscal 2000 and \$750 in fiscal 2001 to acquire new tapes.

The program also anticipates costs for computer disks and computer supplies, consulting services, travel, and other general expenses. The program expects to spend a total of \$16,799 in fiscal 2000 and \$28,314 in fiscal 2001.

Program Description: Employee Benefits Program (A/E 06559)

The Employee Benefits Program provides a variety of insurance products for 30,000 state employees, retirees, and their dependents. Funding for insurance comes from premiums paid by the State of Montana, as the employer.

Revenues and Expenses

The program projects revenues of \$53,844,192 in fiscal 2000 and \$57,954,055 in fiscal 2001, which are increases of 5 percent and 13 percent over fiscal 1998 revenues. The program projects expenses of \$57,597,536 in fiscal 2000 and \$62,748,925 in fiscal 2001, which are increases of 19 percent and 30 percent over fiscal 1998 expenses. Given the program's projections, by the end of the biennium, the fund balance will have declined by 32 percent from its fiscal 1998 level.

Rate Explanation

The legislature approved monthly rates per employee of \$285 for fiscal 2000 and \$295 for fiscal 2001. Of that amount, about \$4.00 will account for the operating expense incurred directly by the Employee Benefits Program. The executive has requested funding for the approximately \$5 million the agencies will need to pay for the increase in the state share of insurance contributions in HB 13, the pay plan bill.

The program set the state contribution by projecting plan costs and estimating the revenue necessary to maintain adequate actuarial reserves. Reserves are calculated as a percentage of claims and consist of two components, incurred but not reported (IBNR) reserves and claims fluctuation reserves. The estimated level of claims fluctuation reserves increases in the second year of the biennium because there was a significant amount of time between premium projections.

Significant Present Law

Provide Additional Benefit Program Services - In past years, the Benefits Program maintained a legal staff to handle its legal issues and consultations. In the 2001 biennium, the Benefits Program will contract for legal services from the Personnel Administration office. The program anticipates that the cost for this contracted service will be \$23,666 in fiscal 2000 and \$23,697 in fiscal 2001. The Benefits Program is eliminating 1.25 FTE as a result of retiring the TESSERACT Benefits System. The program will also transfer 0.42 FTE to the Personnel Administration Program. The net result (increase in contracted services less the decrease in personal services costs) of all the FTE changes is a present law decrease of \$50,335 in fiscal 2000 and \$50,131 in fiscal 2001.

The Benefits Program plans to republish the benefits booklet, which is provided to all state employees. The cost for

revising and printing the booklet in fiscal 2000 will be \$31,750. The program also undergoes audits of its medical and pharmacy plans in addition to the audit of the program. These audits occur during the second year of the biennium and cost around \$34,000.

The program expects long-distance phone charges to increase during the biennium due to the addition of a fax. The program also faces an increase in its rental rates for meeting rooms.

The conversion to MT PRRIME and PeopleSoft will impact the Benefits Program. The TESSERACT Benefits System will become obsolete when PeopleSoft is implemented and the program will terminate the maintenance contract. This will save the program \$36,664 each year of the biennium. In addition, the program will see a decrease of \$40,890 per year in its computer processing costs, since the MT PRRIME system will handle many of the program's computer operations. However, the Benefits Program has been allocated an additional share of MT PRRIME development and implementation costs. The program's share of these costs will be \$268,024 in fiscal 2000 and \$272,225 fiscal 2001. The program will bear additional allocated charges of \$1,636 in fiscal 2000 and \$1,788 in fiscal 2001 for data processing provided by the Department of Administration data-processing unit.

Increase in Flexible Spending Account Participation and Contract Price - The program expects that enrollment in the Flexible Spending Account (FSA) benefit program will increase 2 to 3 percent annually. The program also expects the amount members elect to deposit in flexible spending accounts to increase by 11.5 percent, based on the plan's prior year experience. The contract prices for administration of the FSA program will increase to \$2.30 per member per month in fiscal 2000 and will increase to \$2.35 per member per month in fiscal 2001.

Changes in Health Insurance Claims - The Benefits Program projects that the cost of benefit claims for medical, dental, pharmaceutical and life insurance will continue to increase annually. As the cost of claims increases, administrative expenses also increase. However, the Health Insurance Program expects reductions in the rate of growth of administrative expenses, due to employees switching to fully insured plans.

The plans present law spending increases over base year expenses of 14.7 percent for fiscal 2000 and 22.8 percent for fiscal 2001 for managed care expenses. For medical and dental claims, the division plans present law increases over base year expenditures of 9.2 percent for fiscal 2000 and 13.6 percent for fiscal 2001. The program plans present law increases of 24.9 percent for fiscal 2000 and 39 percent for fiscal 2001 for prescription claims.

The program plans present law increases for employee assistance programs of 14.7 percent for fiscal 2000 and 22.8 percent for fiscal 2001. For present law increases for vision benefit costs, the program plans present law increases of 19.6 percent for each fiscal year. The program will not increase life insurance rates during the 2001 biennium.

The Benefits Program also expects increases in the costs of other medical plans. The program has recently offered new medical plans to its members, including a long-term care plan expected to attract up to eight percent of the total medical plan membership. The program projects that membership in the other new health plans will increase ten-fold by the 2001 biennium.

Program Description: State Payroll Unit (A/E 06563)

The State Payroll Unit prepares and distributes the payroll and processes the associated withholding and deductions for 11,500 state employees in the executive, legislative, and judicial branches.

Revenues and Expenses

The unit is projecting revenues of \$308,746 in each year of the biennium. The unit projects expenses of \$374,677 in fiscal 2000 and \$335,413 in fiscal 2001. Both projected revenues and projected expenses are roughly one-third of their historical levels; implementation of the PeopleSoft system will shift many of the unit's costs to the MT PRRIME unit of the Information Services Division.

Rate Explanation

After the State Payroll Unit establishes a budget for the 2001 biennium, it allocates its costs to state agencies based on the projected number of employees each agency pays. The unit bills agencies and collects payment at the beginning of each fiscal year. The estimate of the number of employees each agency pays is determined from actual employee numbers in fiscal 1997 and fiscal 1998.

The legislature accepted the executive request that it be allowed to charge agencies fees that will allow the unit to maintain a 60-day working capital balance.

Significant Present Law

Conversion to New Software System - With implementation of MT PRRIME and the new PeopleSoft software, the payroll program will transfer many of the functions it previously handled on the TESSERACT system to MT PRRIME. The unit will no longer bear the costs of microfilm services, computer processing, system development and operational support, and SBAS processing and will not need to acquire or replace equipment as often. The unit will conduct training sessions with other state agencies on the PeopleSoft system and the new classification, pay, and performance management system that is being developed. Unit employees will also attend PeopleSoft payroll conferences during the biennium.

Program Description

The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boiler, airport, aircraft, fidelity bond and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration and legal defense to prevent or minimize the adverse effects of physical or financial loss.

Funding

The division is funded with proprietary funds.

Proprietary Rates

Program Description

The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boiler, airport, aircraft, fidelity bond and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The Department of Administration is authorized by Section 2-9-202, MCA, to accumulate a self-insurance fund to pay for self-insured losses, to purchase insurance, and to fund operations. The stated funding objective for the self-insurance portion of the program is to maintain insurance rates sufficient to sustain consecutive "worst year" loss experiences of \$5.4 million over fiscal 2000 and fiscal 2001. This \$5.4 million dollar amount is based on actual costs sustained in the fiscal year where the state sustained its worst losses. The State of Montana has tort damage caps of \$750,000 per claim, \$1,500,000 per occurrence. Because the state performs diverse and high-risk functions, three or four large catastrophic claims in any given year could drive the self-insurance fund balance to zero.

To set rates for the commercial insurance premium cost portion of the program, which is allocated to agency budgets as part of fixed costs, the program calculates the actual base year premiums paid to commercial carriers and adds on a percentage of increase. The program determines the amount of the percentage increase by talking to industry experts and brokers to get their opinions about how much commercial premiums will be in the upcoming biennium.

Revenues and Expenses

The division anticipates revenue of \$7,139,785 in fiscal 2000 and \$7,147,505 in fiscal 2001. These amounts are not substantially different from base year revenue, which was \$7,115,038. The division anticipates expenditures of \$9,098,926 in fiscal 2000 and \$9,131,489 in fiscal 2001, which are both increases of approximately 29 percent over base year expenditures. The increase in expenditures will lead to forecasted operating losses of \$1,959,141 in fiscal 2000 and \$1,983,984 in fiscal 2001.

Rate Explanation

The goal of the division is to maintain insurance rates that will generate reserves sufficient to sustain losses in each year of the biennium equal to the losses sustained in the "worst year" since the inception of the self-insurance fund. Fiscal 1987 was the "worst year" since the inception of the fund, when the state sustained losses of \$5.4 million. The division's goal is therefore to generate enough reserves to sustain back-to-back losses of \$5.4 million per year. The division has not

Risk Management Rates		
Type of Coverage	Total Amounts Allocated	
	FY2000	FY2001
General Liability	\$3,834,842	\$3,834,842
Auto Liability	1,244,420	1,244,419
Property	1,147,684	1,147,684
Airport/Aircraft	122,108	122,108
All Other Lines	202,742	212,029

adjusted the \$5.4 million "worst loss" for inflation.

The legislature accepted the rates shown in the table, which the division explained would be sufficient to allow it to achieve a fund balance adequate to meet its goal.

Significant Present Law

Increase Fidelity Bond Claims - The division budget includes present law increases of \$27,000 in proprietary funds each year of the biennium to pay fidelity bond claims. The amount requested in fiscal 2000 is the actual fiscal 1998 number plus the amount of known insurance claims that are pending. The division anticipates more claims will be forthcoming in fiscal 2001, as internal controls tighten.

Increase Authority for Comprehensive Insurance Plan - The RMTD manages the comprehensive insurance plan for state government. The division purchases commercial insurance and also retains some coverage. Purchases are based on competitive bids and are subject to world insurance markets. This division requests present law adjustments of \$111,073 in fiscal 2000 and \$111,129 to purchase insurance for the state. The RMTD has estimated that 2001 biennium costs will be fiscal 1998 actual expenditures plus a 10 percent increase for property and aircraft insurance and a 5 percent increase for all other lines, with the exception of fidelity bond insurance. The cost of fidelity bond insurance will triple due to charges imposed by a new carrier based on the program's claims history.

Rent - The division's budget includes present law proprietary fund increases of \$22,625 each year of the biennium to cover increased rent expenses. The RMTD previously rented office space in the Teacher's Retirement building. In the 2001 biennium, this office space will no longer be available and the division will rent more expensive commercial office space.

Other Present Level Adjustments - The division's budget includes present law proprietary fund increase of \$56,620 in fiscal 2000 and \$32,959 in fiscal 2001 for increased operating expenses. These expenses include consulting and professional services for legal defense of tort actions brought against the state, claims adjusters, property appraisers, and actuarial services. They also include expenses for Oracle database development to maintain more detailed asset information and replacement costs for 12 personal computers and a printer.

New Proposals

Add data processing position - The rates approved will allow present law proprietary funds adjustments of \$20,743 in fiscal 2000 and \$20,608 in fiscal 2001 for a new 1.0 FTE and associated costs. The new FTE will handle the data processing portion of the claims handling process.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	10.50	(1.50)	.00	9.00	(1.50)	.00	9.00	9.00
Personal Services	247,461	48,537	0	295,998	47,219	0	294,680	590,678
Operating Expenses	80,783	4,700	0	85,483	5,310	0	86,093	171,576
Equipment	0	0	0	0	0	0	0	0
Local Assistance	3,020	0	0	3,020	0	0	3,020	6,040
Total Costs	\$331,264	\$53,237	\$0	\$384,501	\$52,529	\$0	\$383,793	\$768,294
General Fund	331,264	53,237	0	384,501	52,529	0	383,793	768,294
Total Funds	\$331,264	\$53,237	\$0	\$384,501	\$52,529	\$0	\$383,793	\$768,294

Program Description

The State Tax Appeal Board, established by Article VIII, Section 7 of the Montana Constitution and Section 15-2-101, MCA, provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property and new industry property, gasoline and vehicle fuels taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Funding

All funding for the board is provided by the general fund.

Present Law Adjustments						
Present Law Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund
Statewide Present Law						
Personal Services				80,884		79,331
Inflation/Deflation				332		332
Fixed Costs				5,006		5,514
Total Statewide Adjustments				\$86,222		\$85,177
Present Law Adjustments						
1	Operating Adjustments	.00	51	51	.00	153
2	Personal Services Reductions	(1.50)	(32,347)	(32,347)	(1.50)	(32,112)
3	Fixed Cost Reductions	.00	(689)	(689)	.00	(689)
Total PL Adjustments		(1.50)	(\$32,985)	(\$32,985)	(1.50)	(\$32,648)
Present Law Adjustments Total				\$53,237		\$52,529

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Operating Adjustments - The board received present law general fund increases of \$51 in fiscal 2000 and \$153 in fiscal 2001 to pay internal network support costs.

DP 2 - Personal Services Reductions - The legislature reduced the personal services budget by an amount equal to the costs of 1.5 FTE.

DP 3 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.